

Message Text

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22-11

ACTION EB-07

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FM AMEMBASSY COTONOU
TO SECSTATE WASHDC 8026
AMEMBASSY ABIDJAN

C O N F I D E N T I A L COTONOU 0071

E.O. 11652: GDS

TAGS: ENRY, EINV, PINT, DM

SUBJ: ATTITUDE OF MOBIL AND TEXACO RE THEIR TRADE WITH BENIN
AND GSP SANCTION

REF 75 COTONOU 1570,

1. IN CONVERSATION WITH GROGOIRE CODO, DIR OF SALES, SONACOP (STATE RUN PETROLEUM DISTRIBUTION COMPANY), WE HAVE LEARNED THAT SONACOP CONSIDERS ITS RELATIONS WITH NATIONALIZED AMERICAN OIL COMPANIES (TEXACO, MOBIL) TO BE FLOURISHING IN SPITE OF BENIN GOVT'S FAILURE TO TAKE STEPS TO INDEMNIFY THEM. CODO SAID SONACOP STILL PURCHASED SPECIAL INDUSTRIAL LUBRICANTS FROM BOTH COMPANIES. IN FACT, SONACOP BUYS AFROM MOBIL, ABIDJAN, AROUND 2,000 MT OF MOTOR OIL A YEAR, WHICH ARRIVES IN COTONOU IN SONACOP PACKAGING. IF CODO'S FACTS ARE TRUE, MOBIL HAS INCREASED ITS MOTOR OIL SALES HERE TO THE POINT WHERE IT NOW SUPPLIES ALL THE MOTOR OIL CURRENTLY USED IN BENIN. BEFORE THE NATIONALIZATIONS, THIS MARKET WAS DIVIDED AMONG SIX OIL COMPANIES. CODO WOULD NOT PLACE A MONETARY VALUE ON THE LEVEL

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OF THIS TRADE.

2. IT WAS CODO'S IMPRESSION THAT THE OIL COMPANIES WERE NOT CONCERNED RE LACK OF PROGRESS IN CONSIDERING THEIR INDEMNIFICATION CLAIMS AND THAT THEY WOULD CONTINUE TO BE PATIENT AND PREPARED FOR A DELAYED SETTLEMENT.

3. CODO WAS AWARE OF PORR PERFORMANCE OF COMMISSION ESTABLISHED OVER A YEAR AGO TO INVESTIGATE OIL COMPANIES' CLAIMS. (OUR INFO IS THAT THE COMMISSION HAS BEEN MORIBOUND FOR MANY MONTHS). HOWEVER, HE SAID PRES KEREKOU HIMSELF HAD TAKEN AN "INTEREST" IN THE COMMISSION AND THE INDEMNIFICATION SITUATION. CODO DECLARED THAT SONACOP FAVORED EARLY SETTLEMENT WITH THE COMPANIES.

4. AS FOR THE FINANCIAL CAPABILITY OF THE BENINESE TO MAKE INDEMNIFICATION, CODO CLAIMED THAT SONACOP ITSELF WAS ABLE AND WILLING TO MAKE COMPENSATION PAYMENTS, THOUGH NOT IN A LUMP SUM. HE BELIEVED SONACOP COULD MAKE INCREMENTAL PAYMENTS OVER A 12-18 MONTH PERIOD.

5. COMMENT: MINISTERS AND OTHER HIGH LEVEL OFFICIALS HAVE ALWAYS GIVEN US ASSURANCES THAT THE INDEMNIFICATION COMMISSION FOR OIL COMPANIES IS STILL CONSIDERING THE CLAIMS, WHEN WE KNOW IT IS NOT. THEY HAVE COUNSELED A FURTHER PERIOD OF PATIENT DELAY BEFORE US CONSIDERS WHETHER TO DROP BENIN FROM THE LIST OF GSP BENEFICIARIES.

6. SINCE THE CONACOP DIR OF SALES IS A TECHNICIAN, HE IS NOT REALLY QUALIFIED TO SPEAK ON SONACOP'S POLICY IN THIS MATTER, MUCH LESS THAT OF THE GOVT OF THE PRB. THERE IS NO REASON TO EXPECT THAT EVEN IF SONACOP WERE CAPABLE OF PAYING THE INDEMNIFICATION, THE GOVT WOULD AUTHORIZE IT TO DO SO.

7. WE HAVE ALWAYS BEEN UNDER IMPRESSION THAT THE AMERICAN COMPANIES WANTED USG TO PRESS FOR COMPENSATION, IF NECESSARY INVOKING GSP SANCTION. SONACOP APPEARS CONVINCED THAT THOSE AMERICAN COMPANIES ARE KEEN TO CONTINUE THEIR BUSINESS WITH BENIN AND ARE NOT FRETTING ABOUT INACTION OF BENINESE GOVT ON CLAIMS. NO DOUBT SONACOP HAS PASSED ITS ASSESSMENT TO POLITICAL LEVEL OF GOVT, WHICH EMBASSY HAS BEEN TRYING TO PERSUADE
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TO GET MOVING ON INDEMNIFICATION.

8. IT WOULD NOT SEEM TO MAKE MUCH SENSE TO TAKE EARLY MEASURES TO PUNISH BENIN IF THE OIL COMPANIES WOULD PREFER A LESS VIGOROUS USG APPROACH. (AT SOME POINT IN THE SEQUENCE OF SANCTIONS, BENIN GOVT MIGHT WELL RESPOND BY SEVERING REMAINING APPARENTLY PROFITABLE COMMERCIAL RELATIONS WITH MOBIL AND TEXACO). END COMMENT.

9. FOR DEPT AND ABIDJAN: WOULD LIKE TO KNOW MORE ABOUT
ATTITUDE OF MOBIL AND TEXACO RE POSSIBLE USG SANCTIONS UNDER
SECTION 502(B)(4)(II) OF THE TRADE ACT OF 1974.

10. FOR ABIDJAN: PLEASE ENDEAVOR ASCERTAIN FROM MOBIL AND
TEXACO REPS WHETHER CODO'S STATEMENTS CONCERNING CONTINUING
BENIN PURCHASES ARE CORRECT. DOES MOBIL REP HAVE ANY IDEA HOW
HIGHLY HIS COMPANY VALUES THIS TRADE? DOES HE EXPECT IT TO
CONTINUE AT CURRENT OR EVEN HIGHER RATE? DOES SONACOP PAY
ITS BILLS TO MOBIL AND TEXACO PROMPTLY? IN OPINION F THE
AMERICAN COMPANIES, BASED ON THEIR EXPERIENCE IN BENIN, ARE
SONACOP'S OPERATIONS SUFFICIENTLY PROFITABLE TO ENABLE IT
TO MAKE THE KIND OF PAYMENTS THAT WOULD BE NECESSARY FOR
INDEMNIFICATION?
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